

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

AGRICULTURAL COOPERATION

LEGAL, ECONOMIC, AND ORGANIZATION INFORMATION COLLECTED BY THE BUREAU OF AGRICULTURAL ECONOMICS,
UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

January 1, 1924

Vol. II, No. 1.

A SALES COMMITTEE SERVES SIX GRAPE LOCALS.

Six grape shipping associations in the Chautauqua and Erie (New York and Pennsylvania) region received a total of \$1,036,152 for the grapes marketed through a joint sales committee the past season. The committee, consisting of a sales manager, and assistant sales manager and a secretary-treasurer, made its report at a meeting held at Westfield, New York, December 11, at which time the committee entertained at dinner the directors and officers of the various locals. The sales for the season included 1277 cars of grapes and 6,396,659 pounds in trays which were sold to the grape juice factories. The carlots were sold to 232 customers in 111 cities in 20 states, whereas the 1922 grapes went to but 197 customers in 80 cities in 16 states. The cost of selling was 1.52% of the net sales.

The net weight of the grapes sold was 14,959 tons, of this quantity 74.54% was packed in 12-quart baskets, 21.38% went to the grape juice factories, 2.21% was packed in 2-quart baskets and 1.87% in 4-quart baskets.

A central packing house pack was tried out this year, central packing houses being operated at three points. A total of 70 cars of 2-quart and 4-quart baskets of selected table grapes were shipped. This table stock brought so much better prices than the other grapes that plans are already under way to put a larger portion of next year's crop on the market as table grapes. The standard pack from the central packing houses was advertised in a limited way. The results were such that one of the speakers at the meeting said, "We must advertise our product and then follow up the advertising by furnishing quality as good, if not better, than advertised."

As a rule the pools continued for three days, the pool prices varying from \$59.50 a ton for October 4, 5 and 6 to \$54.70 for October 22, 23 and 24.

Considerable attention was given by those attending the Westfield meeting to the subject of freight rates on grapes moving eastward from the Pacific Coast and freight rates on grapes moving out of the Chautauqua-Erie region. There seemed to be a feeling that the proposed reduction of rates for California stock should be opposed unless freight reductions could be obtained also for the Chautauqua-Erie stock.

CALIFORNIA JUDGE DISMISSES INJUNCTION SUITS

An important decision was handed down by Judge P. F. Gosbey in the Circuit Court of Santa Clara County, California, on November 16, regarding the California cooperative marketing act of 1923. Judge Gosbey fully affirmed the validity of contracts between cooperative marketing associations and their members, but declared unconstitutional that part of the new law empowering associations to seek injunctions to forestall members who threaten to break their contracts.

The decision was in connection with suits brought by the California Prune and Apricot Growers' Association against a number of members who were reported to be about to sell fruit to independent buyers. Heretofore the association has been unable to take action against members selling outside the association until the fruit was actually sold, when claims for liquidated damages could be filed. The injunction suits were dismissed by Judge Gosbey.

A discussion of the matter sent out by the Growers' Information Bureau of the California Prune and Apricot Growers' Association after the decision was handed down, reads as follows:

The decision that was handed down yesterday by Judge P. F. Gosbey declares unconstitutional the amendment to the State Civil Code, passed by the legislature last May, which gives to cooperative marketing associations the right to enforce specific performance of contract agreements with their members.

The judge rules that the right to compel specific performance of this agreement is invalid, because it gives the association the right to go into equity and demand damages of the grower, while the grower has no such remedy to compel the association to market his fruit properly. The violation of the requirement of mutuality of remedy, the judge rules, makes this clause invalid. Because the amendment to the Civil Code designed to confer upon marketing associations the right to force specific performance of contract, Judge Gosbey ruled it class legislation, in an attempt to classify the corporation herein concerned, by granting to it certain powers and privileges which are contrary to the general law and therefore void.

It was claimed that the Cooperative Act, enacted in May, was a law designed to have a uniform operation like other laws of the same character. The association was classed as being similar in character to any other corporation, fruit buying or packing company, and that the uniformity of operation of the law could not exist were marketing organizations given a right which was denied to other business enterprises, under the fundamental rules of equity; and that the provision in question, as quoted above, was in effect class legislation.

STATISTICS REGARDING COOPERATIVES NOW OUT OF BUSINESS

More than one thousand farmers' organizations engaged in collective buying or selling went out of business during the ten years from 1913 to 1922. However, this is not so serious a matter as might be supposed, as many of these organizations ceased to function only after they had rendered services that fully justified their formation and their support during a period of years.

Reports to the United States Department of Agriculture for one thousand organizations have been tabulated. These indicate that probably a majority of the associations that have ceased to function have just "faded out." The initial capital has slowly dwindled, as has also the volume of business and the amount of enthusiasm for the enterprise. In such cases the only pecuniary loss has been that involving membership fees or dues or the value of shares of capital stock. Even in such cases the loss has not always been real for the reports received indicate that not infrequently the benefits to a community or to the individuals composing an association have more than counterbalanced the initial cost of starting the enterprise. Farmers' business organizations have gone out of business on many occasions to make way for larger associations, which have absorbed the membership and functions of the original organizations. In a few cases associations have gone out of business because the members (or stockholders) have had an opportunity to sell the properties and good will at a profit, in a few cases at a handsome profit. However, some of the associations failed with financial losses to members or stockholders and with losses to creditors.

The one thousand reports which have been tabulated indicated that 83.3% were cooperative, that 73.8% were incorporated, and that 70% had capital stock. Approximately 60% of the associations had been active for less than five years at the time of ceasing to operate. Over 48% of the associations were credited with an annual volume of business of less than \$25,000. Over 91% were credited with an annual volume of business of less than \$200,000.

The number of associations in business for the different periods of time, the percentage which each group is of the total and the accumulated totals for the different groups making up the 927 associations reporting on this item are shown in the table on the following page.

Years in Business	Number of Associations	Per Cent Reporting	Accumulated Per Cent
Less than 1 year	73	7.9	7.9
1 to 2 years	126	13.6	21.5
2 to 3 "	145	15.6	37.1
3 to 4 "	116	12.4	49.5
4 to 5 "	93	10.0	59.5
5 to 6 "	81	8.7	68.2
6 to 7 "	41	4.4	72.6
7 to 8 "	33	4.1	76.7
8 to 9 "	30	3.3	80.0
9 to 10 "	21	2.3	82.3
10 to 11 "	37	4.0	86.3
11 to 14 "	52	5.6	91.9
15 to 19 "	35	3.8	95.7
20 to 24 "	24	2.6	98.3
25 to 29 "	8	.9	99.2
30 years and over	7	.8	100.0
Total	927	100.0	

Reports for 608 of the one thousand organizations give information regarding volume of business prior to their ceasing to function. The table below contains this information arranged to show the number of organizations for the various amounts, the per cent in each group and the accumulated per cent.

Amount of business	Number of Associations	Per cent Reporting	Accumulated Per Cent
Less than \$25,000	292	48.1	48.1
\$ 25,000 to 49,000	103	16.9	65.0
50,000 to 99,000	87	14.3	79.3
100,000 to 199,000	74	12.2	91.5
200,000 to 299,000	31	5.1	96.6
300,000 to 399,000	6	1.0	97.6
400,000 to 499,000	2	.3	97.9
500,000 and over	13	2.1	100.0
Total	608	100.0	

Several reasons for failure are given by most of the associations which went out of business because their debts were greater than their assets. The reason given the greatest number of times was "inefficient management," and the reason coming second in frequency was "lack of interest." The reason third in importance was "insufficient business." The various reasons given are shown on the following page in the order of their numerical importance.

Reasons given for Failure

Inefficient management	553
Lack of interest	550
Insufficient business	326
Insufficient working capital	232
Insufficient membership	222
Too liberal credit	187
Inadequate accounting system	114
Lack of proper audit	103
Dishonest management	100
Capital stock falling into hands of too few	32
Property damaged by fire	12

It is interesting to note that a larger number of associations went out of business in 1921 than in any other year; the years ranking second and third in regard to the number of associations going out of business were 1922 and 1920. The number of associations ceasing to function in the different years are listed in the following table:

1900	2	1908	7	1916	63
1901	0	1909	7	1917	39
1902	3	1910	15	1918	63
1903	1	1911	17	1919	65
1904	0	1912	31	1920	110
1905	0	1913	56	1921	153
1906	2	1914	59	1922	132
1907	2	1915	71	1923	72

-----C-----

CREAMERY FEDERATION MAINTAINS OFFICES IN THREE MARKETS

The first car of butter to be handled by the newly established Philadelphia office of the Minnesota cooperative Creameries Association, arrived October 13, 1923. A total of four cars was handled before the close of the month. The association now has its own offices in New York, Philadelphia, and Chicago. The New York office handled 157 cars, containing 3,406,030 pounds of butter, during October, while the Philadelphia and Chicago offices each handled four cars. The member creameries of the association numbered 450 in November.

PACKAGES OF FANCY FRUITS SOLD FOR CHRISTMAS GIFTS

Packages of fancy fruits for Christmas gifts are included in the enterprises of the California Peach and Fig Growers' Association, Fresno, Calif. This year four packages were designed for the holiday trade. One was a carton containing six 13-ounce tins of Calimyrna fig preserves; the second was a four-pound box of dried peaches; the third, a box containing six 15-ounce cartons of Calimyrna figs; and the fourth a five-pound box of pulled figs with alternate rows of Calimyrna and Black Mission figs. Uniform prices are quoted delivered to any part of the country.

-----O-----

RECORD MADE BY A VERMONT CREAMERY

Patrons of the Grand Isle County Cooperative Creamery Association, Grand Isle, Vt., are to receive \$4,877 in patronage dividends for the business year ending October 31, 1923. The profit earned by the association during the year was \$14,439. Of this amount \$5,000 was set aside for contingencies, \$2,500 for doubtful accounts, \$1,375 for a reserve under the Vermont statutes, \$637 for a dividend on capital stock (if declared), and the remainder for the patronage dividend.

During the year the association handled 6,936,085 pounds of fluid milk and 321,822 pounds of cream. Its total sales were \$278,387, which was an increase of 15% over the preceding year. The expenses of operation were \$49,921, of which \$25,950 was freight and express on outward shipments.

The balance sheet at the close of the year shows reserves amounting to \$33,527; capital stock issued and stock subscriptions amounting to \$12,780; and undivided profits amounting to \$4,877, a total of \$51,184. The fixed assets were \$38,443, consisting of land, creamery buildings, dwelling house, artesian well, machinery and equipment, motor truck equipment, office furniture and fixtures, and milk cans.

The important statistics for the last three years are shown below:

Year	Pounds of Milk	Pounds of Cream	Total Sales*
:	Handled	Handled	:
1921	5,930,175	- - - -	\$245,556
1922	5,560,336	359,807	241,156
1923	6,936,085	321,822	278,387

*Consisting of receipts from butterfat, skim milk, butter, buttermilk, whole milk, casein, cheese, etc.

COOPERATIVES CREDITED WITH TWO BILLION DOLLARS

More than two billion dollars worth of business was transacted by farmers' business organizations during 1923, according to estimates made by the United States Department of Agriculture. At the close of the year the department had on its lists the names of more than nine thousand active associations. In addition it had information indicating that there were from two to three thousand associations yet to report. Up to and including November 27, associations to the number of 8,313 had been classified by the department as to whether selling or buying enterprises and as to commodities handled. Of the number classified, approximately 90% were primarily engaged in selling farm products, and about 10% in collective purchasing for farmers. Over 30% of the associations were organized for the marketing of grain; over 20% were engaged in the marketing of dairy products; over 14% in the marketing of livestock; and over 11% in the marketing of fruits and vegetables.

It was estimated from the information given by associations reporting volume of business, that the 8,313 organizations listed did business to the amount of \$1,700,000,000. Assuming that the two or three thousand associations from whom reports are yet to be received had as large an average gross business as the organizations which have reported, the grand total of business for the year is well above the two billion mark.

The figures for the 8,313 associations which have been classified, are shown in the following table:

Type of Association	Associations		Estimated Business	
	Number	Per Cent	Amount	Per Cent
Selling	:	:	:	:
Grain	2,600	31.3	\$ 490,000,000	28.8
Dairy Products	1,841	22.1	300,000,000	17.6
Livestock	1,182	14.2	220,000,000	12.9
Fruits & Vegetables	956	11.5	280,000,000	16.5
Wool	93	1.1	3,000,000	.2
Cotton	78	.9	100,000,000	5.9
Nuts	46	.6	12,000,000	.7
Poultry	40	.5	18,000,000	1.1
Forage	18	.2	2,000,000	.1
Tobacco	14	.2	132,000,000	7.8
General Selling*	530	6.4	92,000,000	5.4
Miscellaneous**	59	.7	4,000,000	.2
Buying	:	:	:	:
Merchandise (Stores)	479	5.8	32,000,000	1.9
Miscellaneous buying	377	4.5	15,000,000	.9
Total	8,313	100.0	1,700,000,000	100.0

*Selling small quantities of a large number of commodities.

**Broomcorn, maple products, honey, cane syrup, forest products, etc.

It will be noted that while the grain marketing organizations are 31% of the total number, they furnish but 28.8% of the total volume of business. Although the associations handling fruits and vegetables are but 11.5% of the total number they are credited with 16.5% of the total business. The cotton marketing associations did nearly 6% of the total business, yet they were less than 1% of the total number. The buying associations are credited with less than 3% of the total business.

-----O-----

MEMBERS OF COTTON ASSOCIATION MUST BE ENDORSED BY THREE MEMBERS

A resolution recently adopted by the board of directors of the Oklahoma Cotton Growers' Association, Oklahoma City, Okla., provides that an application for membership shall be endorsed by three grower members. It is believed that this plan will keep out the farmer who has a reputation for not living up to his contracts.

On December 10 the association had received 95,002 bales of cotton, which was 30,000 bales more than the total receipts for last year and 4,000 more than the year before.

Distribution of a half million dollars was to be made on December 15 for cotton delivered the first weeks of November.

-----O-----

MARKETING CALIFORNIA PEAR CROP STRENUOUS WORK

About \$50,000 was spent this year by the California Pear Growers' Association, San Francisco, Calif., in an advertising campaign to increase the consumption of California Bartlett pears. The crop of pears was no larger than in 1922 but the canneries of the state bought 17,000 tons less than in 1922 and, in consequence, new markets had to be found speedily. For three weeks in the height of the season nearly one thousand cars a week were sold. Advertising was limited to a few localities. In the four cities, Boston, Philadelphia, Chicago and Pittsburgh, the consumption of pears increased 119% over 1920 when no advertising was done. In New York City no advertising was done this year and the increase in consumption was only 46%.

Several important lessons were learned from observations on the eastern markets among which were the following:

1. Greater care should be given at the beginning of the season not to ship immature pears.
2. A tighter pack of more uniform sized pears is demanded.
3. Greater efforts should be made to build up the smaller markets.
4. A larger association membership is needed.
5. An effort should be made to find jobbers in western territory to cooperate in the expense of newspaper advertising.

WORK OF BRITISH COOPERATIVES SUMMARIZED FOR TEN YEARS

The following figures regarding the operations of the Distributive Trading Societies of Great Britain were selected from a summary prepared by the Chief Registrar of Friendly Societies, covering the past ten years:

Year	: Number of	: Number of	: Sales
	: Returns	: Members	
1913	: 1,466	: 2,381,400	: L 83,154,741
1914	: 1,457	: 3,046,478	: 89,179,393
1915	: 1,452	: 3,276,657	: 106,115,711
1916	: 1,436	: 3,520,481	: 124,495,864
1917	: 1,435	: 3,786,509	: 142,949,636
1918	: 1,436	: 3,862,377	: 156,430,892
1919	: 1,441	: 4,062,171	: 200,439,592
1920	: 1,467	: 4,443,088	: 246,064,774
1921	: 1,489	: 4,531,577	: 220,968,127
1922	: 1,428	: 4,471,590	: 171,082,290
1922 Business	:	:	:
General Supply	: 1,313	: 4,428,442	: L 169,642,628
Coal Supply	: 38	: 24,903	: 306,333
Refreshments	: 44	: 10,735	: 575,164
Miscellaneous	: 33	: 7,510	: 553,165
Total	: 1,428	: 4,471,590	: 171,082,290

-----0-----

BEST LOOKING CHEESE FACTORIES WIN PRIZES

Prizes for the best looking cheese factories in the State were offered early in the year by the Marshall Dairy Laboratory, Madison, Wis., with the idea that every one of the 2,800 factories should be an advertisement for Wisconsin cheese. Awards have recently been made of six state prizes and 22 county prizes. Attractive pictures of the winners of the six state prizes are published in the Federation Guide for December. While the prizes were offered for appearance only, it was realized that there was an intimate relation between a good building with attractive surroundings and the production of high quality cheese. Several of the prize winning factories were members of the Wisconsin Cheese Producers' Federation.

INDEX TO VOLUME ONE OF AGRICULTURAL COOPERATION READY

An index of the first volume of Agricultural Cooperation has been prepared and is now ready for distribution. Copies may be secured by addressing the Division of Agricultural Cooperation, Bureau of Agricultural Economics, Washington, D. C.

-----0-----

LOCAL COTTON ASSOCIATION FINDS SUBSTITUTE FOR COURT ACTION

One of the local associations of the Oklahoma Cotton Growers' Association, Oklahoma City, Okla., recently "tried" one of its own members for breaking his contract. The jury, made up of members of the local, rendered a verdict of guilty and collected damages of \$25, subject to the approval of the board of directors. At a later meeting of the directors the action of the jury was approved.

-----0-----

"DEVELOPMENT AND GROWTH OF COOPERATIVE MARKETING IN THE U. S."

The above caption is the title of an address by Lloya S. Tenny, Assistant Chief of the Bureau of Agricultural Economics, before the National Association of State Marketing Officials, in Chicago, December 3, 1923. This paper has been mimeographed for distribution and copies may be had upon application to the Bureau of Agricultural Economics, Washington, D. C.

The speaker traced the history of cooperative enterprises from the earliest recorded efforts up to the present time with many statistical tables and comparisons.

-----0-----

THIRTY-ONE STOCKHOLDERS FAITHFUL FOR THIRTY-THREE YEARS.

Thirty-one of the 213 original stockholders of the Chatfield Co-operative Creamery Company, Chatfield, Minn., incorporated in 1889, are still members of the company. Furthermore the present secretary, who was one of the first members, has served as secretary for the past 31 years. It is the claim of the officers of the organization that this creamery was the first in the United States to become incorporated.

The company operates a plant which turns out about 300,000 pounds of butter a year which sells for approximately \$100,000. In 1921 16 of the patrons each received checks which totaled over \$1,000.

Chatfield also claims to be the home of the first rural cooperative laundry in the United States. The management of the creamery in 1912 brought about the organization of the Chatfield Co-operative Laundry Company.